

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission)	
On Its Own Motion,)	
)	
v.)	
)	
North Shore Gas Company)	02-0726
)	
)	
Reconciliation of revenues)	
collected under fuel and gas)	
adjustment charges with actual)	
costs.)	

DIRECT TESTIMONY
OF
ALLAN IKOMA

- 1 Q. Please state your name and business address.
- 2 A. Allan Ikoma, 130 East Randolph Drive, Chicago, Illinois 60601.
- 3 Q. By whom are you employed?
- 4 A. The Peoples Gas Light and Coke Company ("Peoples Gas").
- 5 Q. What position do you hold with Peoples Gas?
- 6 A. I am Manager of Rates.
- 7 Q. What are your responsibilities in that position?
- 8 A. I am responsible for directing the activities of the Rates Department and
- 9 for making recommendations regarding rate policies for Peoples Gas and
- 10 Respondent, North Shore Gas Company.
- 11 Q. Please summarize your educational background and experience.

12 A. In 1975, I graduated from University of Illinois – Chicago Campus with a
13 Bachelor of Science Degree in Finance and Economics. In 1981, I received a
14 Masters in Business Administration from De Paul University. I have been
15 employed by Peoples Gas from September 1975 to the present. I began my
16 employment in the Market Research Department. In April 1976, I was
17 transferred to what is now the Gas Supply Planning Department. In July 1985, I
18 was promoted to Supervisor. In April 1990, I was transferred to what is now the
19 Rates Department as Supervisor. In September 1992, I returned to Gas Supply
20 Planning as Supervisor. In January 1994, I was transferred to what is now the
21 Quality Control Department in the Customer Relations Division as Supervisor. In
22 April 1996, I was promoted to Manager. In October 2000, I returned to the Rates
23 Department to my current position as Manager.

24 Q. Please give a brief description of the operations and status of Respondent.

25 A. I am advised by counsel that Respondent is a corporation organized and
26 existing under the laws of the State of Illinois, having its principal office at 130
27 East Randolph Drive, Chicago, Illinois 60601. It is engaged in the business of
28 purchasing, storing, distributing, selling and transporting natural gas to over
29 151,000 customers. Respondent's service territory covers approximately 275
30 square miles in the eastern portion of Lake County and a small portion of
31 northeastern Cook County. I am advised by counsel that Respondent is a public
32 utility within the meaning of the Public Utilities Act.

33 Q. Please describe the subject matter of this proceeding.

34 A. Pursuant to Section 9-220 of the Public Utilities Act, on November 7, 2002,
35 the Illinois Commerce Commission ("Commission") entered a citation order
36 ("order") directed to fourteen Illinois gas and electric utilities, including
37 Respondent. The order requires Respondent to present evidence to the
38 Commission at a public hearing in Docket No. 02-0726 reconciling revenue
39 collected under the purchased gas adjustment clause (Rider 2, Gas Charge, of
40 Respondent's Schedule of Rates) with the actual costs prudently incurred and
41 recoverable under Rider 2, for the twelve months ended September 30, 2002,
42 Respondent's fiscal 2002. The order also requires Respondent's filing to reflect
43 fourteen specified data for each of its Gas Charges. The order further requires
44 that notice of the filing of this evidence be made in accordance with the
45 requirements of 83 Illinois Administrative Code Part 255. In this proceeding,
46 Respondent is making an evidentiary showing in order to satisfy the
47 requirements of the Commission's order.

48 Q. Please describe the notice given by Respondent of the filing in this case.

49 A. At the time the filing in the above-captioned proceeding was made,
50 Respondent placed copies of the filed evidence, available for public inspection, in
51 each of its offices. Public notice of the filing was also posted in each of these
52 offices. Further, Respondent published notice of the filing in the Waukegan
53 News-Sun, a secular newspaper of general circulation in Respondent's service
54 territory, in accordance with the requirements of 83 Illinois Administrative Code
55 Part 255.

56 Q. Please describe Respondent's Exhibit 1.

57 A. Respondent's Exhibit 1 includes a copy of the audit report of Respondent's
58 independent public accountants, Deloitte & Touche, LLP and the verification of
59 Respondent's Senior Vice President, Desiree Rogers. The audit report includes
60 a copy of Respondent's Financial Statements to Illinois Commerce Commission
61 – Determination of Reconciliation Balance for Gas Charge for the Year Ended
62 September 30, 2002 ("Statement") and Independent Auditors' Report, as
63 described in Rider 2, Section G, of Respondent's Schedule of Rates.

64 Q. Was the Statement prepared under your supervision and direction?

65 A. Yes, it was.

66 Q. Are the verification and the audit report true and correct copies of Ms.
67 Rogers' verification and the audit report of the independent public accounts?

68 A. Yes, they are.

69 Q. What are the types of Gas Charges that Respondent files pursuant to its
70 Rider 2 and what costs do the Gas Charges recover?

71 A. Each month, Respondent files a Commodity Gas Charge ("CGC"), a Non-
72 Commodity Gas Charge ("NCGC"), a Demand Gas Charge ("DGC"), a Transition
73 Surcharge ("TS"), and an Aggregation Balancing Gas Charge ("ABGC"). The
74 sum of the CGC, NCGC and TS is the Gas Charge, which is applied to all
75 Company-supplied therms except standby therms supplied to transportation
76 customers. Standby therms are priced at the standby commodity charge, which
77 is the sum of the CGC, 50% of the NCGC and the TS. The CGC recovers
78 commodity-related costs. The NCGC recovers non-commodity related costs.
79 The DGC also recovers non-commodity related costs, but from transportation

80 customers. A factor of 50% is applied to the DGC, which is applied to each
81 therm of transportation customers' contracted for standby service. Revenues
82 arising from the application of the DGC are credited against the non-commodity
83 related costs used in computing the NCGC. The ABGC also recovers non-
84 commodity related costs, but from suppliers serving small volume transportation
85 customers. The ABGC is applied to all therms delivered or estimated to be
86 delivered by Respondent to customers served under Rider SVT. Revenues
87 arising from the application of the ABGC are credited against the non-commodity
88 related costs used in computing the NCGC. Given that NCGC, DGC and ABGC
89 all recover non-commodity related costs, revenues recovered under these three
90 charges are jointly reconciled with such costs. Finally, the TS, which is applied to
91 each therm delivered by Respondent, recovers pipeline gas supply realignment
92 transition costs.

93 Q. The Commission's order requires Respondent to include certain data for
94 the prior reconciliation year in its determination of the current year's
95 reconciliation. Please specify any unamortized Factor A balance at the end of
96 fiscal 2001.

97 A. The unamortized Factor A balance at the end of fiscal 2001 for each
98 respective Gas Charge is shown on Page 2, Line 1, of Respondent's Exhibit 1.
99 Respondent's unamortized Factor A balance at the end of fiscal 2001 reflects a
100 refundable balance of \$7,981,620.48 for the CGC, a recoverable balance of
101 \$1,899,343.69 for the NCGC and DGC, and a recoverable balance of \$9,245.22
102 for the TS, for a total refundable balance of \$6,073,031.57. These amounts are

also reflected on Page 2, Line 13, of Respondent's Statement to Illinois Commerce Commission, Determination of Reconciliation Balance for Gas Charge for Fiscal Year 2001 ("2001 Statement"). This document was submitted as Exhibit 1 in the direct testimony of Ms. Valerie H. Grace in Docket No. 01-0706, Reconciliation of Revenues Collected Under Fuel and Gas Adjustment Charges with Actual Costs for Fiscal 2001.

Q. Please specify the total adjustments to gas costs (that is, Factor A) that were amortized to Schedule I in Respondent's fiscal 2001 monthly filings but were not yet reconciled through Schedule II of Respondent's monthly filings at September 30, 2001.

A. Total unreconciled adjustments to gas costs (Factor A) reflect a refundable amount of \$3,759,617.73 for the CGC, a recoverable amount of \$461,404.94 for the NCGC and DGC and a recoverable amount of \$1,698.66 for the TS, for a total refundable Factor A of \$3,296,514.13. These adjustments, for the reported months of August and September, 2001, were not yet reconciled at the end of fiscal 2001. However, they are reflected in the CGC, NCGC and DGC, and TS Gas Charges for the effective months of October and November, 2001, which fall within fiscal 2002. These amounts are shown on Page 2, Line 2, of Respondent's Exhibit 1. They are also reflected on Page 2, Line 12, of Respondent's 2001 Statement.

Q. Please specify any Factor O amounts requested by Respondent for fiscal 2001 and collected or refunded during fiscal 2002.

125 A. There were no Factor O amounts requested by Respondent for fiscal
126 2001, nor were any Factor O amounts collected or refunded during fiscal 2002.

127 Q. What was Respondent's refundable or recoverable balance for fiscal
128 2001?

129 A. Respondent's refundable or recoverable balance for fiscal 2001, which is
130 determined by summing the amounts on Page 2, Lines 1 through 3, of
131 Respondent's Exhibit 1, reflects a refundable balance of \$11,741,238.21 for the
132 CGC, a recoverable balance of \$2,360,748.63 for the NCGC and DGC, and a
133 recoverable balance of \$10,943.88 for the TS, for a total refundable balance of
134 \$9,369,545.70. These amounts are shown on Page 2, Line 4, of Respondent's
135 Exhibit 1. These amounts are also reflected on Page 2, Line 11, of Respondent's
136 2001 Statement.

137 Q. What are Respondent's fiscal 2002 recoverable gas costs and revenues?

138 A. Recoverable gas costs are summarized and shown on Page 2, Line 5, of
139 Respondent's Exhibit 1. Recoverable gas costs amount to \$77,589,730.15 for
140 the CGC and \$17,594,643.79 for the NCGC, DGC and ABGC, for a total of
141 \$95,184,373.94 to be recovered under the Gas Charge. There are no
142 recoverable gas costs for the TS due to the termination of pipeline transition
143 costs in November 1997, Respondent's fiscal 1998. Although there are no
144 recoverable gas costs for the TS in fiscal 2002, there are revenues arising
145 through the application of the TS, which are recovered under the Gas Charge.
146 These amounts, which are insignificant, arise from billing adjustments and flow
147 through Factor A of the TS. Revenues are summarized and shown on Page 2,

148 Line 6, of Respondent's Exhibit 1. Revenues arising through the application of
149 each Gas Charge amount to \$64,464,994.85 for the CGC, \$18,188,675.70 for
150 the NCGC, DGC and ABGC and \$4.08 refunded for the TS, for a total of
151 \$82,653,666.47 recovered under the Gas Charge. Recoverable gas costs and
152 revenues are shown in more detail on Pages 3, 4 and 5 of Respondent's Exhibit
153 1 for the CGC, NCGC, DGC and ABGC and TS, respectively.

154 Q. Please specify the pipeline refunds or surcharges that Respondent
155 separately reported in fiscal 2002 monthly Gas Charge filings.

156 A. There were no pipeline refunds or surcharges that were separately
157 reported in fiscal 2002.

158 Q. Please specify any other adjustments that were separately reported in
159 fiscal 2002.

160 A. There were no other adjustments that were separately reported in fiscal
161 2002.

162 Q. Please specify the interest, calculated pursuant to Section 525.50 of the
163 Commission's rules, for inclusion in Adjustments to Gas Costs (Factor A).

164 A. Interest, calculated pursuant to Section 525.50, for inclusion in
165 Adjustments to Gas Costs (Factor A), is shown on Page 2, Line 9, of
166 Respondent's Exhibit 1, and reflects a refundable amount of \$20,825.26 for the
167 CGC, a recoverable amount of \$13,266.55 for the NCGC, DGC and ABGC and a
168 recoverable amount of \$216.39 for the TS, for a total refundable amount of
169 \$7,342.32.

170 Q. What was Respondent's over- or under-recovery for fiscal 2002?

171 A. Respondent's over- or under-recovery for fiscal 2002 is shown on Page 2,
172 Line 10, of Respondent's Exhibit 1. The over- or under-recovery for each Gas
173 Charge can be determined by deducting the amount on Line 6 (revenues arising
174 through the application of each Gas Charge) from the amount on Line 5 (costs
175 recoverable through each Gas Charge) and adding the amounts on Line 7
176 (separately reported pipeline refunds and surcharges), Line 8 (separately
177 reported other adjustments), and Line 9 (interest). Using this calculation,
178 Respondent's over- or under-recovery for fiscal 2002 reflects an under-recovery
179 of \$13,103,910.04 for the CGC, an over-recovery of \$580,765.36 for the NCGC,
180 DGC and ABGC, and an under-recovery of \$220.47 for the TS, for a total under-
181 recovery of \$12,523,365.15.

182 Q. Please specify the recovery balance for the reconciliation year.

183 A. The recovery balance for the reconciliation year, which reflects the sum of
184 the (refundable)/recoverable balances for fiscal years 2001 and 2002 for each
185 respective Gas Charge, is shown on Page 2, Line 11, of Respondent's Exhibit 1.
186 This amount, which can be determined by summing the amounts on Line 4 (fiscal
187 2001 balance) and Line 10 (fiscal 2002 balance), reflects an under-recovery of
188 \$1,362,671.83 for the CGC, an under-recovery of \$1,779,983.27 for the NCGC,
189 DGC and ABGC and an under-recovery of \$11,164.35 for the TS, for a total
190 under-recovery of \$3,153,819.45.

191 Q. Please specify the total adjustments to gas costs (that is, Factor A) that
192 were amortized to Schedule I in Respondent's fiscal 2002 monthly filings but

193 were not yet reconciled through Schedule II of Respondent's monthly filings at
194 September 30, 2002.

195 A. Total unreconciled adjustments to gas costs (Factor A), which are shown
196 on Page 2, Line 12, of Respondent's Exhibit 1, reflect a recoverable amount of
197 \$494,783.75 for the CGC, a recoverable amount of \$513,420.08 for the NCGC,
198 DGC and ABGC, and a recoverable amount of \$1,582.08 for the TS, for a total
199 recoverable Factor A of \$1,009,785.91. These adjustments, for the reported
200 months of August and September, 2002, are not yet reconciled at the end of
201 fiscal 2002. However, they are reflected in the CGC, NCGC, DGC and ABGC ,
202 and TS Gas Charges for the effective months of October and November, 2002,
203 which fall within fiscal 2003.

204 Q. Please specify any unamortized balance at the end of fiscal 2002.

205 A. The unamortized balance at the end of fiscal 2002 is shown on Page 2,
206 Line 13, of Respondent's Exhibit 1. The unamortized balance for each
207 respective Gas Charge can be derived by deducting the amount on Line 12 (total
208 unreconciled Factor A adjustments) from the amount on Line 11 (the over- or
209 under-recovery balance for the reconciliation year). Respondent's unamortized
210 balance at the end of fiscal 2002 reflects a recoverable balance of \$867,888.08
211 for the CGC, a recoverable balance of \$1,266,563.19 for the NCGC, DGC and
212 ABGC, and a recoverable balance of \$9,582.27 for the TS, for a total recoverable
213 balance of \$2,144,033.54.

214 Q. Please specify any Factor O amounts requested by Respondent for fiscal
215 2002.

216 A. There are no Factor O amounts requested by Respondent for fiscal 2002.

217 Q. Does Respondent's Exhibit 1 include other reports that support the

218 summary amounts shown on Page 2?

219 A. Yes. Respondent's Exhibit 1 includes a summary of the detailed Schedule

220 II, Adjustments to Gas Costs (Factor A) reports that were filed as part of

221 Respondent's monthly Gas Charge reports for fiscal 2002. Pages 6, 7 and 8 of

222 Exhibit 1 reflect Schedule II reports that were filed for the CGC, NCGC, DGC and

223 ABGC, and TS, respectively. These reports reflect the monthly reconciliation of

224 recoverable gas costs and Gas Charge revenues, adjustments to gas costs

225 (Factor A), refunds and other adjustments, Factor A amortizations and

226 unamortized balances, Factor O amortizations and unamortized balances, and

227 interest determined for each Gas Charge. Finally, Page 9 of Exhibit 1 contain

228 notes that explain Gas Charge reconciliation summary items noted on Page 2 of

229 Exhibit 1.

230 Q. Does this conclude your direct testimony?

231 A. Yes, it does.